

LEARNING FROM EXPERIENCE

**The First APIAN Policy Report
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APIAN

APEC International Assessment Network

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EXECUTIVE SUMMARY

The APEC International Assessment Network (APIAN) is a collaborative, independent project among participating APEC Study Centers to track and assess the design and execution of select Asia Pacific Economic Co-operation (APEC) initiatives. APIAN's mission is to enhance knowledge among government officials and the general public with regard to APEC activities, to encourage the fulfilment of APEC objectives and commitments, and to identify ways for APEC to improve its performance.

We believe that APEC has many accomplishments to its credit. APEC has established itself as a world-class forum where leaders, bureaucrats and private sector executives meet regularly in diverse settings to exchange ideas and to advance common goals. We believe that the annual Leaders Meetings are especially valuable; while a degree of scripted orchestration is to be expected, we recommend that Leaders Meetings allow ample opportunity for free-flowing communication and real decision making, letting leaders be leaders.

APEC has contributed to the affirmation and dissemination of a coherent set of positive ideas. APEC has promoted a liberal international order, and APEC's "open regionalism" asserts that regional integration is consistent with globalism. APEC working groups and task forces promote the sharing of "best practices" among members. APEC is catalysing the gathering of information and construction of databases on a wide range of issues. APEC was among the first international institutions to closely link economic and technical co-operation to trade and investment liberalization.

As APEC enters its second decade, it faces a tough list of challenges. If APEC fails to respond, many people may come to perceive APEC as ritualistic diplomatic meetings that have little relevance to their daily lives. When APEC leaders do respond to new opportunities with bold initiatives, APEC will lose credibility unless effective implementation follows.

Trade and Investment Liberalization and Facilitation (TILF)

We attribute the apparent lack of value-added of APEC's TILF to several factors including the slow adaptation of the APEC agenda, the absence of priorities, shortfalls in member

commitments, weak evaluation procedures, and the dearth of specific APEC incentives. To enhance APEC's performance on TILF, we recommend:

1. *APEC should clarify and prioritize some of its trade policy initiatives.* In some complex issue areas, such as services and competition policy, APEC should consider prioritizing select sub-sectors or actionable items. We also recommend that APEC establish priority areas for immediate progress in trade and investment liberalization, such as national treatment, non-tariff barriers and tariff peaks and export subsidies.
2. *APEC should continue to improve its Individual Action Plans (IAPs).* IAP commitments should be specific, concrete and measurable to the extent possible.
3. *APEC members should be accountable for their IAP commitments.* We call upon APEC to establish effective mechanisms — both internal and external to APEC — for the review of members' IAP commitments and implementation. The IAP peer reviews should call for more rigorous commentaries. APEC should continue to call upon outside, independent experts to evaluate its TILF programmes.

Economic and Technical Co-operation (Ecotech)

Ecotech is critical to the realization of APEC's vision and the economic development of APEC members. Yet, Ecotech suffers from a number of shortcomings, including the excessive diffusion of limited Ecotech resources, the proliferation of Ecotech forums, the lack of co-ordination around defined APEC objectives, inadequate authority allowed the Ecotech Subcommittee, and too little funding for Ecotech initiatives.

To enable APEC to overcome the current crisis of confidence in its Ecotech programmes, we recommend:

1. *APEC should overhaul its Ecotech programmes.* APEC needs to streamline Ecotech programmes, to set priorities, to rationalize working groups, and to improve co-ordination among Ecotech forums. The Ecotech Subcommittee should be given more authority and resources to pursue its mandates.
2. *Ecotech needs more active funding.* APEC should encourage the resource-rich multilateral development banks to fund sound Ecotech projects. More organic ties should also be pursued with bilateral donors. Private-sector involvement in specific projects

should also be systematically encouraged. We suggest that consideration be given to establishing “Ecotech Funds” that would use APEC creativity to catalyse financial support from these public and private sources behind APEC priorities.

3. *APEC should mandate action plans for Ecotech.* Individual and collective action plans should be prepared for Ecotech. To assure coherence and succinctness, such action plans should be restricted to APEC-specific programmes and projects. In their individual action plans (IAPs), members should specify both commitments and implementation results, and include timetables and quantifiable targets to the extent possible.

Institutional Structures

APEC will fall well short of its goals if it does not find a better match between its aspirations and its institutional structures. Therefore, we recommend:

1. *The APEC Secretariat should be strengthened.* A stronger Secretariat that has more in-house capacity to monitor implementation of APEC initiatives can help APEC to better evaluate, rationalize and co-ordinate both TILF and Ecotech. To strengthen the Secretariat, we propose the creation of longer-term professional positions and the designation of a Secretary General with a multi-year term of office.
2. *APEC should deepen its ties with other international and regional organizations.* We urge Ecotech to seek support from multilateral development banks that share APEC objectives. TILF forums should deepen their relations with the World Trade Organization and other relevant multilateral forums. APEC should consult more routinely with other regional trade arrangements, such that their gains in liberalization are constructively nested under APEC.
3. *Ministries of Finance should be better integrated into the APEC process.* The post-financial crisis agenda demands that APEC better integrate finance and development.
4. *Partnerships with outside groups should be strengthened.* APIAN questionnaires suggest that strong business and civil society participation contributes to successful implementation of APEC initiatives. Business should be involved in all stages of the project cycle. We believe that NGO involvement with select working groups, such as those responsible for the environment, human resource development, gender equality and micro-enterprises, would be particularly beneficial.

5. *Academic engagement should be encouraged.* To help build a broadly based Pacific community of intellectuals, APEC should reach out more systematically to universities and policy institutes. APIAN — as a voluntary grouping of APEC Study Centers — is convinced that APEC can take better advantage of the Centers' capacities and goodwill.
6. *APEC should augment its dissemination efforts.* APIAN questionnaires revealed a stunning lack of public awareness of APEC activities. A better-staffed Secretariat should devote more resources to dissemination and outreach to non-governmental groups. Broader and more systematic engagement with the private sector and other non-governmental groups would be an important component of an energized effort to broaden APEC's base. For it is only through deep and broad dialogue can APEC realize its core mission — to foster a community of nations and peoples in the Asia Pacific.

FOREWORD

APIAN'S MISSION

The APEC International Assessment Network (APIAN) is a collaborative, independent project among participating APEC Study Centers to track and assess the design and execution of select Asia Pacific Economic Co-operation (APEC) initiatives. APIAN's mission is to enhance knowledge among government officials and the general public with regard to APEC activities, to encourage the fulfilment of APEC objectives and commitments, and to identify ways for APEC to improve its performance.

Since 1989, and especially since leaders began holding annual summits in 1993, APEC forums have been generating a series of official declarations replete with hundreds of action items. These initiatives cover critically important matters, including trade integration, financial stability, environmental protection, human resource development, and other areas of economic and technical co-operation. The strategic intention is that multilateral co-operation on these vital development issues will help to build a prosperous and peaceful Pacific community of nations.

Important as these objectives are there has been no ongoing, comprehensive and independent effort to track and evaluate the implementation of APEC initiatives and to determine whether there has been progress from "words to deeds". Lacking such objectives, external evaluations have several deleterious effects. Without effective information, the scholarly community and civil society in general are largely ignorant of and sceptical towards APEC. Without transparency and public debate, APEC officials may not feel obliged to act upon official promises. With little scholarly input, APEC is deprived of valuable sources of expert information and critical feedback.

To meet this need for independent evaluation, representatives from APEC Study Centers located in nine APEC member economies convened in January 1999 at the University of California, San Diego, to launch the APIAN experiment, and invited other Centers to participate on a voluntary basis. Since then, many other Centers have joined in APIAN activities. Subsequent APIAN meetings were held during the annual international consortium meeting of APEC Study Centers in Auckland in June 1999 and in Brunei in May 2000. On 6–7 October 2000, the Institute of Southeast Asian Studies (ISEAS) hosted

a workshop in Singapore and has funded the production of this Report resulting from the workshop. The APIAN project has also benefited from the encouragement and support of the Institute on Global Conflict and Co-operation (IGCC) of the University of California.

APIAN participants served as Issue Co-ordinators who prepared Issue Reports on specific APEC initiatives. These Issue Reports served as background papers for this Report. In preparing their reports, Issue Co-ordinators relied on several sources of information. They designed and circulated questionnaires to experts in APEC member economies. The APEC Study Center at the Taiwan Institute of Economic Research (TIER) was responsible for the circulation of issue questionnaires. These questionnaires yielded valuable indicative information; however, due to time and other constraints, the response rate was uneven and the number of responses too small to qualify as a scientific sample. Issue Co-ordinators also drew on the research of other scholars, and on the valuable publications of such informed organizations as the Pacific Economic Co-operation Council (PECC), the Pacific Trade and Development Conference (PAFTAD) and the APEC Business Advisory Council (ABAC). The APEC Secretariat in Singapore was generous in its assistance and responded to issue questionnaires. As experts in their chosen fields, APIAN Issue Co-ordinators could also draw on their own accumulated expertise, and in numerous cases, their previous work with APEC. A list of Issue Co-ordinators can be found in Appendix C.

This Report does not attempt to assess all of APEC's work. Rather, we have selected areas of APEC activity that we believe to be particularly important and where we have expertise. We are confident, however, that APIAN gathered sufficient information and experience to render general judgements on APEC performance, as well as to offer specific recommendations.

We have discussed APIAN's objectives with many government officials involved in APEC activities, and we have been very gratified with their enthusiasm for our purposes. We look forward to discussing our assessments and recommendations with them.

This report is a collaborative effort by a large number of APEC Study Centers from many APEC member economies. The participating experts wholeheartedly endorse this report's overall content and tone and support its principal findings and recommendations, even as each participant may not agree fully with every phrase. The participating experts

subscribe as individuals; institutional affiliations are for purposes of identification only. The list of signatories can be found in Appendix A. APIAN does not purport to speak for all APEC Study Centers, nor for the international consortium of APEC Study Centers.

THE POLICY REPORT

I

UNDERSTANDING APEC

We aspire to be realists and idealists at the same time. We must recognize the constraints that bind the aspirations of APEC member populations and that limit the margin for manoeuvre of governments. In the past, the great diversity and heterogeneity that divided the Asia Pacific left the region bereft of co-operative inter-governmental institutions. These deeply rooted divisions can only be relaxed slowly. But we also believe that visionary ideas and bold political leadership can overcome history and create a more peaceful and prosperous future. We believe that the people of the Asia Pacific are increasingly reaching out to each other and are ready for more co-operative ventures.

APEC itself is a unique blend of realism and idealism. The very idea of an association of nations and economies that span the vast Pacific Ocean — that seeks to transform the world's largest body of water from a deep divide into a bridge among people — and that seeks to build co-operative relations among former rival states, is profoundly visionary. And APEC's early leaders have built on these visionary foundations with bold initiatives. The promise of free trade and investment flows throughout the Asia Pacific is breathtaking in its implications, not only for future economic relations but also for the political co-operation that almost certainly must follow.

In its pursuit of these ambitions, APEC has been realistic in its choice of modalities. APEC's core principles — consensus, voluntarism, and unilateralism — derive precisely from a sagacious recognition of the steep barriers to economic openness and to regional co-operation erected during past centuries. APEC members will either move forward at their own pace, in response to their own domestic interests and capacities, or they will not move forward together at all. APEC members can try to persuade and cajole, and even embarrass fellow members into collective action, but APEC members will not accept impositions and rules imposed by even a majority of members. APEC members will consider guidelines, but they reject bindings. Furthermore, APEC recognizes that global integration poses formidable challenges and that governments must actively build strong domestic market-oriented institutions and help to educate a competitive workforce; APEC's

Economic and Technical Co-operation (Ecotech) initiatives are responsive to this contemporary reality.

APEC's particular blend of idealism and realism has produced a "soft" or "weak" institution, as the APIAN Issue Report on APEC as an Institution explains. Unlike such established agencies as the International Monetary Fund (IMF) and World Bank, APEC has no executive board with decision-making authority. Unlike the World Trade Organization (WTO), APEC can neither "bind" trade agreements nor authorize punitive actions against members whose trade policies are inconsistent with APEC norms. Unlike the Organization for European Co-operation and Development (OECD), APEC has no expert bureaucracy capable at times of driving policy through its own initiative. Unlike the Association for Southeast Asian Nations (ASEAN), APEC Secretariat lacks the internal capacity to monitor and evaluate the implementation of key APEC programmes. All of this is by conscious design: in their realism, APEC members refused to grant such powers to their fledgling association. They were not prepared to allocate such authorities to a collective agency.

However "soft", APEC has evolved into an institution. Brick by brick, APEC has been constructing its edifice. During its first decade, APEC has created a set of norms, procedures and structures that define its essence: the goal of free trade and investment flows within a paradigm of open regionalism; capacity-building through economic and technical co-operation; agreement through consensus, action by each member at its own pace; annual Leaders Meetings and regularly scheduled Ministerials that set direction, committees of senior officials that drive the process, and an array of working groups responsible for specific programmes and projects. APEC has established its special place in the panoply of international institutions.

We believe that this soft institutionalism served APEC well during its infancy. Many of those who criticize APEC for not accomplishing more fail to understand the nature of soft institutionalism and why the region's realities allowed no other choice. We also believe that as APEC enters its second decade, it must constantly engage in serious self-examination. It must consider whether its soft institutionalism is facilitating decision making, whether the vision and mandates of the leaders are being transformed into tangible

actions, and whether APEC officials are receiving the critical feedback integral to sound governance.

What may have been realistic at the outset may have become an avoidable obstacle to further achievement. What may have seemed hopelessly idealist at the beginning may have become more feasible as members gain confidence in APEC and in each other. What seemed dangerous may now appear comfortable and even desirable.

II

APEC'S ACHIEVEMENTS AND CHALLENGES

We believe that APEC has many accomplishments to its credit. We reach this conclusion based upon APIAN-generated research, other studies and reports including those published by APEC, and our own accumulated experience.

APEC as a World-Class Forum

APEC has established itself as a world-class forum where leaders, bureaucrats, and private sector executives meet regularly in diverse settings to exchange ideas and to advance common goals. In a region as vast and diverse as the Asia Pacific, this is no mean feat. Before the advent of modern means of travel and communication, an institution as meeting-intensive as APEC could not have flourished. APEC is as much a product of globalization as it is a response to its challenges.

We believe that the annual Leaders Meetings are especially valuable, an opinion confirmed by respondents to our questionnaires. These summits provide a unique opportunity for the region's leaders to meet in both plurilateral and bilateral settings and to exchange views on the APEC agenda as well as on a wide range of issues of mutual interest. The informal venues allow for the development of personal "chemistry" and friendships that facilitate future decision making. APEC's regularly scheduled gatherings are particularly opportune during moments of diplomatic stress. The annual summits are also valuable in giving leaders a regular opportunity to reaffirm the APEC vision, to establish broad policy guidelines, and to review the APEC work plan.

The Leaders Meetings have two other important procedural advantages. When a Leaders Meeting is on the calendar, bureaucrats know that they may be held accountable for their implementation of previously-mandated initiatives. As the Leaders Meeting approaches, governments focus their attention on APEC and more generally, on the Asia Pacific region. The Leaders Meetings set deadlines for decisions — within member governments as well as among APEC members. The Meetings themselves provide the opportunity for leaders to break bureaucratic logjams and resolve difficult issues among themselves. Notably, it is doubtful that the Bogor goals of free and open trade in the region

would have been approved without the impetus of summitry. Respondents to APIAN questionnaire regarding APEC as an institution gave high marks to the Leaders Meetings as the most effective negotiating forum for APEC. While a degree of scripted orchestration is to be expected, we recommend that Leaders Meetings allow ample opportunity for free-flowing communication and real decision making, letting leaders be leaders.

The Leaders Meetings also allow for statesmen to interact with representatives from the private sector, as the exchanges with the APEC Business Advisory Council (ABAC) and the CEO Forum attest. In a few cases, the Leaders Meetings have also allowed for interactions with other civil society groups.

Certainly the annual summits gather thousands of journalists, offering leaders a wonderful opportunity to explain APEC's purposes to the broader public.

We also believe that the myriad of other APEC meetings — the Ministerials, committees and working groups — are essential to APEC's progress. However, as we spell out below, the organizational structure that has grown piecemeal over time is now in need of serious revision.

APEC as a Driver of Ideas

We believe that ideas matter in history. One reason for the collapse of the WTO Ministerial in Seattle in 1999 was the widespread fear that globalization is a threat to the well-being of the majority of peoples. We fully recognize that globalization causes serious social disruptions that must be addressed, we believe that some assessments of globalization misidentify the causes of some of the world's problems, and some critics of globalization advocate ideas that could endanger the future prosperity and security of the Asia Pacific.

APEC has contributed to the affirmation and dissemination of a coherent set of positive ideas. In its adherence to the Bogor Vision of free and open commerce in the Asia Pacific, APEC has promoted a liberal internationalist order. As a flag carrier for economic reform and trade liberalization, APEC adds its voice to those forces within member economies that advocate similar goals. During the 1997-98 financial crisis, the APEC vision reinforced those who sought to adjust their economies by advancing market-oriented reforms, not by reverting to national measures destructive to regional prosperity. Indeed,

in the wake of the crisis, many APEC governments have further opened their economies, notably with regard to their treatment of direct investment.

APEC's "open regionalism" asserts that regional integration is consistent with globalism. Liberalization in the Asia Pacific must be a building block towards global free trade and investment flows — not a threat to divide the world into rival trading blocs. APEC has not defined "open regionalism" with precision, but its members clearly seek compatibility between APEC's economic initiatives and the goals and principles of the WTO. In response to the resurgent interest in regional and subregional free trade arrangements, we believe that APEC has a role to play in reviewing such arrangements for consistency with APEC and WTO purposes.

APEC working groups and task forces promote the sharing of "best practices" among members. There are many examples where members have benefited from the experiences of other economies. APEC has facilitated conferences and training sessions on such important topics as corporate governance, financial supervision, competition policy, electronic commerce, educational reform, and efficient energy production, among many others. Such events may over time yield a gradual "soft" convergence of ideas and practices.

APEC is catalysing the gathering of information and construction of databases on a wide range of issues. As pedestrian as they may seem, databases can make important contributions to transparency, monitoring, evaluation, and the sharing of best practices. For example, the APIAN Issue Report on Industrial Science and Technology found that perhaps the most useful action taken by APEC in that area has been the creation of the APEC Science and Technology Web (AST Web). APEC's databases are often imperfect, as officials struggle to standardize data across many economies, to clarify terms and categories, to elicit more precise and timely information, and to design user-friendly formats. Yet improvement is evident, for example, in the Individual Action Plans (IAPs) which document members' commitments toward attaining the Bogor goals.

APEC was among the first international institutions to closely link economic and technical co-operation (Ecotech) to trade and investment liberalization. APEC understands that for developing countries to achieve the Bogor goals, they must prepare their economic structures and workforces to benefit from globalization. The promotion of human resource

development, the diffusion of information technology and the strengthening of social safety nets are critical to successful market-oriented economic development. As APIAN researchers and many others have commented, Ecotech has so far fallen short of its promise, but APEC is on the right track.

In a region better known for its historic rivalries than for inter-governmental co-operation, APEC has sought to foster the notion of a Pacific community that encompasses East Asia as well as much of the western hemisphere. APEC has helped to fashion an *esprit de corps* among the officials participating in the various APEC forums, and has taken some steps to catalyse increased activities among the region's private sector and academic institutions. It remains to be seen, however, whether this expansive vision will take root and flourish.

Challenges

As APEC enters its second decade, it faces a tough list of challenges. The global development community continues to differ on the efficacy and equity of various models of economic development, and the Asia Pacific community is at the vortex of this contentious debate. While it was unfair to blame APEC for the 1997-98 financial crisis, as APEC had not been set up to tackle finance, populations do expect APEC to play a larger role in sustaining the recovery. Similarly, the recent hike in oil prices lies outside APEC's jurisdiction, and APEC members are not necessarily in agreement on short-term remedies, but the APEC energy forums can offer longer-term answers. In the trade area, where APEC has concentrated much of its efforts, the collapse of the Seattle Ministerial raises questions about APEC's reliance on a prospective WTO round as the main avenue for maintaining momentum towards the Bogor goals. If APEC fails to respond adequately to such urgent matters, many people may come to perceive APEC as ritualistic diplomatic meetings that have little relevance to their daily lives.

Regional trends pose additional challenges. The sudden surge of proposals for new bilateral and plurilateral subregional trading arrangements raises anew old questions about whether these preferential deals may be building blocks or stumbling blocks towards the achievement of regionwide free trade, and how APEC should react to these new initiatives in ways which encourage their compatibility with APEC and WTO goals.

Furthermore, new forms of political co-operation among Asian nations have emerged, such as the ASEAN plus Three (Japan, China, South Korea) initiative. To some degree, such regional initiatives may reflect frustration with APEC. Such initiatives could drain energy away from APEC, or alternatively could spur APEC to more decisive action.

When APEC leaders do respond to new challenges and opportunities with bold, far-reaching initiatives, APEC will lose credibility unless effective implementation follows. When launching important initiatives, APEC must ensure that an appropriate framework is put in place for effective implementation, and for holding officials accountable for that implementation. We note that too often, APEC policy makers have paid inadequate attention to implementation; for example, the APIAN Issue Report on Food and Agriculture raised serious concerns regarding the credibility of APEC's implementation of the APEC Food System proposals.

APEC must overcome a public perception of ineffectiveness. To regain its momentum, APEC needs some visible successes — and to make them known to the broader public. APEC must also get its own house in order. It needs to clarify its agenda, set priorities, and revamp its internal structures. In the following section, we examine some of these critical challenges and propose pathways to greater Asia Pacific economic co-operation.

III

RECOMMENDATIONS FOR IMPROVING APEC'S PERFORMANCE

It is only natural that a young institution with the ambition and complexity of APEC would experience growing pains. Among the many commentators on APEC's performance, there is a widespread consensus on many of the institution's shortcomings. Some of these shortcomings are common to multilateral endeavours and will be very hard to overcome. Other weaknesses are concessions to realism that can be addressed only gradually. However, as we propose below, some of these flaws can and must be confronted today if APEC is to move forward.

We group our assessments of APEC's performance under three broad headings: trade and investment liberalization and facilitation (TILF), economic and technical co-operation (Ecotech), and APEC as an institution. We conclude each section with our recommendations for enhancing APEC's performance.

Trade and Investment Liberalization and Facilitation (TILF)

TILF has been at the heart of APEC's efforts throughout its first decade. Yet, APIAN's research reaffirms the conclusions of numerous other studies that it is difficult to attribute significant liberalization in most APEC members to APEC *per se*. We attribute TILF's apparent lack of value-added to several factors where we are convinced that corrective measures are feasible:

- *Slow adaptation of the APEC agenda.* In some areas, the APEC agenda is lagging behind circumstances or APEC's own experience. For example, in the increasingly important areas of competition policy and non-tariff barriers (NTBs), the 1995 Osaka Action Agenda would benefit from being updated: APEC's NTB agenda is insufficiently specific and omits important items. Further, it is now time to make provision for member economies to specify how they will apply the APEC Principles on Competition and Regulatory Reform in particular situations. The proliferation of negotiations on subregional trading arrangements poses another challenge.

- *Absence of priorities.* TILF may be diffusing efforts across too many issues. Certainly, measuring and comparing progress is vastly complicated by the quantity of commitments. However, we appreciate that setting clear priorities can be politically hazardous: APEC's most dramatic attempt to set trade priorities — the Early Voluntary Sectoral Liberalization (EVSL) initiative — proved overly ambitious and controversial. Still, it may be possible in some particularly complex issue areas, such as services, to adopt a building block approach by focusing on a few sub-sectors for a start, according to the APIAN Issue Report on that subject. As an appropriate place to begin to apply consensus competition principles, the APIAN Issue Report on Competition and Regulatory Reform suggests that APEC target hardcore cartels. The APIAN Issue Report on Tariffs proposes that APEC consider focusing on the elimination of tariff peaks and nuisance tariffs.
- *Shortfalls in member commitments.* Individual Action Plans (IAPs) often lack commitments that go much beyond pre-existing Uruguay Round pledges. Many commitments tend to be too general and too vague to drive behaviour, or to allow for evaluation. A respondent to an APIAN questionnaire on services stated: "The main impediment to implementation is that commitments are not clearly articulated in IAPs. For meaningful progress to be made, targets should be more clearly defined and achievements measured." In the area of investment policy, the APIAN Issue Report remarked that the current APEC member IAPs failed to address important impediments to foreign investment.
- *Weak evaluation procedures.* APEC member economies review their own performance and some now submit their IAPs to peer review, an innovation of potential value if made more rigorous. In 1999, the Pacific Economic Co-operation Council (PECC) undertook a study of IAPs, but its report was careful not to name individual APEC member economies. The shortage of effective evaluation mechanisms deprives APEC of the sort of peer pressures that might foster better performance.
- *Dearth of specific APEC incentives.* APEC members suffer no consequences (beyond the damage to their own economic efficiency) for failure to table a strong IAP, or if implementation falls short of IAP commitments.

- *Insufficient political support for further liberalization.* Numerous respondents to APIAN survey questionnaires pointed out that the degree of government support for TILF was a critical variable in determining progress towards Bogor goals. Some respondents highlighted that private sector interest was a second important driver behind governments' behaviour. Reasons for official laxity vary across economies. Some APEC economies feel sufficiently burdened by the requirements of implementing their Uruguay Round commitments. Other economies, accustomed to tit-for-tat trade bargaining regimes, remain sceptical of voluntary unilateralism and hesitate to liberalize their trade regimes in the absence of specific reciprocity and more evident comparability. As noted by the APIAN Issue Report on Food and Agriculture, reluctance of member economies to consider seriously liberalization in some key sectors undermines the credibility of their commitment to the Bogor goals.
- *Inadequate linkages with other international organizations.* A cross-cutting theme, according to APIAN Issue Reports, is that as a young regional organization, APEC has not established sufficiently strong linkages with existing international organizations. Some TILF working groups would benefit from deeper relations with counterpart WTO offices, as well as with the secretariats of other regional trading arrangements, and on labour-related matters, with the International Labour Organization (ILO). TILF working groups responsible for such areas as investment and competition policies would gain from stronger ties with the OECD and to the UN Conference on Trade and Development (UNCTAD).

Recommendations on TILF:

1. *APEC should clarify and prioritize some of its trade policy initiatives.* APEC could make more progress in some areas by updating its trade and investment agenda and by clarifying issue scope and coverage. In some complex issue areas, such as services and competition policy, APEC should consider prioritizing select sub-sectors or actionable items. We also recommend that APEC establish priority areas for immediate progress in trade and investment liberalization, such as national treatment, non-tariff barriers and tariff peaks and export subsidies. As has been done successfully with some

facilitation measures, such priority goals can be simultaneously pursued through integrated efforts utilizing both Collective Action Plans (CAPs) and IAPs.

2. *APEC should continue to improve its IAPs.* Individual Action Plan commitments should be specific, concrete and measurable to the extent possible. We look forward to the first fruits of the new electronic IAP format. There needs to be more precise identification of the non-tariff barriers (NTBs) to be removed and the steps by which their removal will take place. We endorse the recommendation in ABAC's 2000 Report that NTBs be treated more thoroughly in the IAPs.
3. *APEC members should be accountable for their IAP commitments.* We call upon APEC to establish effective mechanisms — both internal and external to APEC — for the review of members' IAP commitments and implementation. The IAP peer reviews should call for more rigorous commentaries. APEC should continue to call upon outside, independent experts to evaluate its TILF programmes; in the future, such evaluations should include member-specific assessments, in order to provide feedback, enhance comparability and confidence-building, and to exert peer pressure. For evaluation to be effective, however, IAP commitments would have to be more specific, measurable, and accompanied with a time line. Clarification of benchmarks and end-points would also facilitate evaluation of individual member performance.

The core APEC principles of voluntary unilateralism preclude a comprehensive incentive regime. Nevertheless, we are persuaded that the establishment of effective and transparent systems to monitor the implementation of APEC's voluntary, non-binding commitments would not violate either the letter or the spirit of APEC principles, and could provide useful incentives for better performance.

Economic and Technical Co-operation (Ecotech)

APEC has been a pioneer in linking capacity-building to economic reform, and after the 1997-98 regional financial crisis, the developed economies more firmly grasped that both pillars of APEC — TILF and Ecotech — are indispensable to each other. We welcome this new consensus on the importance of capacity-building to economic development and national adaptation to globalization. Specifically, we are pleased that the design of the APEC Food System provides for a comprehensive integration of TILF and Ecotech elements.

The many Ecotech working groups have launched over 250 projects on a wide array of issues. The majority of these are “process” projects (e.g., conferences), training sessions, or database construction. APIAN believes that many of these Ecotech projects have value. Their relative “smallness” may be cost effective. Their lack of dramatic visibility is not necessarily a negative. In particular, building databases, as a means of organizing and disseminating information and promoting transparency and facilitating evaluation, is an appropriate function of an international organization. Training sessions are vital to capacity building and human resource development, and the APIAN Issue Report on that subject concluded that many APEC-approved HRD projects are well designed and innovative. The APIAN Issue Report on Energy found value in the innovative Implementation Facilitation Assistance Team (IFAT) programme, which sends joint public-private sector advisory teams to APEC member economies interested in reforming their energy sectors.

Ecotech is critical to the realization of APEC's vision and the economic development of APEC members. Yet, Ecotech suffers from a number of shortcomings that must be corrected if the current crisis of confidence in its programmes is to be overcome:

- *Excessive diffusion of limited resources.* APEC has recognized that Ecotech's scope is too diffuse, is shooting off into too many different areas at once and is guilty of duplication and overlap. APIAN research confirms this finding: for example, the Issue Report on Industrial Science and Technology noted that, in that area, there were too many *ad hoc* projects on a large variety of subjects. This tendency to want to be “all things to all people” is a common characteristic of multilateral organizations, especially those with weak institutionalization. Each APEC member economy has its pet projects which, when multiplied by 21, quickly accumulate into a laundry list. APEC has no effective executive committee or other authoritative mechanism for establishing firm priorities and for sorting through project proposals.
- *Proliferation of Ecotech forums.* Ecotech working groups, task forces, and “networks” have multiplied over time. This proliferation adds to the sense of confusion and inefficiency, and makes it difficult to set priorities and to co-ordinate efforts.
- *Lack of co-ordination around defined APEC objectives.* Pursuit of APEC objectives at times requires a co-ordinated effort across a large number of Ecotech activities. APEC

lacks the capacity to achieve the level of co-ordination required for effective implementation of such wide-ranging initiatives as the APEC Food System.

- *The Ecotech Subcommittee — an important innovation — lacks adequate authority.* To improve Ecotech co-ordination and efficiency, and to enhance public awareness of Ecotech success stories, APEC established the Ecotech Subcommittee (ESC). APIAN applauds this decision. Yet, the ESC lacks sufficient authority, resources, and tenure to realize fully its missions.
- *Many Ecotech initiatives are resource-starved.* A major constraint on Ecotech has been inadequate funding, especially for the poorer APEC members. APEC itself has minimal resources for Ecotech projects. APEC has not yet developed strong enough ties with existing multilateral lending agencies, such as the Asian Development Bank (ADB) and the World Bank, even though their boards of directors are controlled by many of the same governments that lead APEC. Nor has APEC devised adequate mechanisms for channelling bilateral sources into priority APEC projects.

Some observers have argued that APEC should approve and seek funding for one or several large, high-visibility projects, with a regional reach. We concur that Ecotech efforts should be more focused and much better funded. We note, for example, that the Panel of Independent Experts (offspring of the Eminent Person's Group) has proposed two major new initiatives to help APEC regain its vitality: the creation of an APEC Financial Institute endowed with a Brunei Fund of \$50-100 million; and consultations within APEC regarding the consistency of emerging subregional trading arrangements with APEC and WTO frameworks.

Recommendations on Ecotech:

1. *APEC should overhaul its Ecotech programmes.* We share the consensus among official and outside observers that APEC needs to better focus its limited capacity to foster economic and technical co-operation. APEC needs to streamline Ecotech programmes, to set priorities, to rationalize working groups, and to improve co-ordination among Ecotech forums. We note the work of the management review committee, and consider that further reform efforts will be required. We believe it is time for a systematic overhaul of the organizational structure of Ecotech.

To accomplish these reforms, APEC needs to develop more effective mechanisms to concentrate energies and to sort through project proposals. An APEC committee or working group should be given enhanced authority to scrutinize the labours of Ecotech working groups, to review proposed projects in accordance with APEC priorities, to encourage co-ordination and avoid duplication. The Ecotech Subcommittee (ESC) should be given more authority and resources to pursue its mandates, and should be given the jurisdiction to review Ecotech-related activities of TIFL working groups. The ESC's reliance on working groups and member economies to self-evaluate their own performance incurs obvious limitations.

We welcome the recent decision by APEC Senior Officials to encourage independent, external reviews of Ecotech activities. To perform its evaluative role effectively, the ESC should be empowered and financed to commission independent, objective assessments of the overall organization of APEC's economic and technical co-operation, of the work of the various working groups, and of individual projects.

APEC also needs to find more money for good Ecotech projects, better ways to disseminate the results of good programmes and more effective mechanisms for scaling up its success stories.

2. *Ecotech needs more active funding.* APEC should make it a high priority to create an effective process that encourages the resource-rich multilateral development banks to fund sound Ecotech projects. More organic ties should also be pursued with bilateral donors. Private-sector involvement in specific projects should also be systematically encouraged. We suggest that consideration be given to establishing "Ecotech Funds", perhaps in collaboration with the Asian Development Bank, that would use APEC creativity to catalyse financial support from these public and private sources behind APEC priorities. We welcome the recent initiative to allow TILF funds to be used for worthy Ecotech projects.
3. *APEC should mandate action plans for Ecotech.* Individual and collective action plans should be prepared for Ecotech. To assure coherence and succinctness, such action plans should be restricted to APEC-specific programmes and projects. In their Individual Action Plans (IAPs), members should specify both commitments and implementation results, and include timetables and quantifiable targets to the extent possible. Member

economies should break their action plans into short- and medium/long-term components. Where possible, the linkage between Ecotech and TILF action plans should be noted. Member economies should submit their Ecotech IAPs to APEC's senior officials, which would refer them to the Ecotech Subcommittee (ESC) for review. To ensure transparency, the ESC should prepare a standardized, user-friendly format for the action plans.

APEC as an Institution

As we remarked at the outset, APEC's "soft institutionalism" is a natural outgrowth of the historical circumstances of its birth. In many ways, the level, breadth, and intensity of APEC activities and forums are impressive. We can perceive a community of spirit emerging among the thousands of officials who meet their agency counterparts at APEC-sponsored meetings. We find that the annual Leaders Meetings serve multiple purposes and ought to be continued. But as the Issue Report on APEC as an Institution stresses, APEC will fall well short of its goals if it does not find a better match between its aspirations and its institutional structures.

For some years, APEC itself has recognized that its efforts are too diffused and that its bureaucracy has suffered from over-extension. Yet calls for rationalization have proven largely ineffective. We believe that centrifugal forces will continue to pull APEC in too many directions unless and until APEC confronts some critical institutional matters.

While we believe that it is vital for APEC to confront its institutional sprawl, we do not claim to have all the answers to these complex bureaucratic problems, which at their root are profoundly political in nature. In this spirit of humility, we offer these reform proposals.

Recommendations on Institutional Structures:

1. *The APEC Secretariat should be strengthened.* Currently, the very small Secretariat in Singapore is composed of officials temporarily on loan from member governments and whose primary responsibilities are to help organize logistics and manage paper flow. A stronger Secretariat that has more in-house capacity to monitor implementation of APEC initiatives can help APEC to better evaluate, rationalize, and co-ordinate both

TIFL and Ecotech. As the APIAN Issue Report on Human Resource Development suggested, the Secretariat could also serve as a communications hub in the flow of information within APEC forums and between APEC projects and outside organizations and civil society.

To strengthen the Secretariat, we propose the creation of longer-term professional positions, as well as the multi-year secondment of substantive expertise from member governments. We judge that one-year rotations do not allow for continuity and leadership, so we also suggest the designation of a Secretary General with a multi-year term of office. We note that ASEAN strengthened its Secretariat in Jakarta in both of these respects during the 1990s. We do not believe that such limited reforms would create an expensive or overbearing bureaucracy; but they could help APEC make better use of its resources.

2. *APEC should deepen its ties with other international and regional organizations.* Such relations can promote policy consistency and convergence, facilitate access to expertise and finance, and help to disseminate awareness of APEC's success stories. We cite as a positive example the ties that APEC's financial and corporate governance forums have with the IMF and the OECD. As noted earlier, we urge Ecotech to seek financial and technical support from multilateral development banks that share APEC objectives. TILF forums should deepen their relations with the WTO, OECD, and other relevant multilateral forums. APEC should consult more routinely with other regional trade arrangements, such that their gains in liberalization are constructively nested under APEC.
3. *Ministries of Finance should be better integrated into the APEC process.* Traditionally, the region's strong Finance Ministries viewed APEC as dominated by other governmental entities (Ministries of Foreign Affairs and Trade, offices of Prime Ministers and Presidents), and hence sought to keep APEC at arms length. Prior to the Asian financial crisis, APEC analysed macroeconomic trends but did not tackle most financial matters. The post-financial crisis agenda, however, demands that APEC better integrate finance and development. Ecotech training now includes issues like financial market regulation and corporate governance, and TILF investment and competition forums are focusing on financial markets. In response to these new realities, finance ministerials are now integrated into the overall APEC schedule, and the APEC central fund has

approved projects involving Finance Ministries, but the respondents to the APIAN issue questionnaires on finance agreed that APEC can do more. While the questionnaires found no consensus on many of the more controversial issues regarding global financial reform, respondents did approve of APEC's greater focus on financial consultations, information sharing, training, and other Ecotech-related activities.

4. *Partnerships with outside groups should be strengthened.* APEC has pioneered close relations with the private sector, through the formation of APEC Business Advisory Council (ABAC) and the CEO Forum, and as APIAN Issue Reports underscore, the active private sector participation in such specific initiatives as in energy (through the Energy Working Group Business Partnership) and quality control (through the APEC Experts and Trainers Executive Workshop on International Quality Assurance Systems, or IQAS). These examples of APEC outreach could be multiplied with the private sector as well as with other non-governmental groups interested in participating in APEC working groups and in specific projects. APIAN questionnaires suggest that strong business and civil society participation contributes to successful implementation of APEC initiatives. We endorse the recommendation in the 1998 APEC Senior Officials Report on Ecotech that business be involved in all stages of the project cycle. We concur with the recommendation in ABAC's 2000 Report that sectoral government-business dialogues promote APEC's facilitation agenda. We welcome China's convocation of a major conference in 2001 to encourage private sector participation in human resource development.

We believe that NGO involvement with select working groups, such as those responsible for the environment, human resource development, gender equality, and micro-enterprises, would be particularly beneficial.

5. *Academic engagement should be encouraged.* To help build a broadly based Pacific community of intellectuals, APEC should reach out more systematically to universities and policy institutes. Researchers can contribute their expertise and analytical skills to many APEC forums. In particular, at the 1993 Seattle Leaders Meeting, APEC launched the APEC Study Centers to promote research, dissemination, and regional co-operation. APIAN — as a voluntary grouping of APEC Study Centers — is convinced that APEC can take better advantage of the Centers' capacities and goodwill.

6. *APEC should augment its dissemination efforts.* APIAN questionnaires revealed a stunning lack of public awareness, even among experts, of APEC activities. To build wider support for its activities, to catalyse replication of its success stories, and to promote transparency and constructive feedback, APEC needs to substantially improve its dissemination and outreach. APEC's problems are not merely ones of public relations, but better information flow is part of the solution. A better-staffed Secretariat should devote more resources to dissemination and outreach to non-governmental groups. We urge the Secretariat to continue to improve its web page and for APEC to make better use of information technology in various programmes, especially in human resource development. We welcome the launching of the Ecotech clearing house, and advise that it be expanded and continually updated. Broader and more systematic engagement with the private sector and other non-governmental groups would be an important component of an energized effort to broaden APEC's base. For it is only through deep and broad dialogue that APEC can realize its core mission — to foster a community of nations and peoples in the Asia Pacific.

IV THE APIAN ISSUE REPORTS

In the preparation of this comprehensive Policy Report, APIAN researchers produced separate reports on the following issues: tariffs, services, investment policy, competition and regulatory reform, mobility of business people, human resource development, food and agriculture, industrial science and technology, energy, corporate governance, finance, and on APEC as an institution. In addition, we include a survey on certain trade facilitation measures produced by a participating APEC Study Center. A list of the APIAN Issue Coordinators can be found in Appendix C. A compendium of the Issue Reports will be published by the Institute for Southeast Asian Studies (ISEAS).

We summarize the main findings of these Issue Reports, with an emphasis on recommendations for improving APEC performance.

Tariffs

Many of the APEC economies have been slashing their tariffs. However, it is methodologically impossible to assign these gains to APEC as opposed to other catalysts to liberalization, such as the GATT/WTO, the international financial institutions and endogenous domestic pressures.

More clearly attributable to APEC is the enhanced transparency of tariff regimes under the improving IAP formats. By requiring members to report actual and planned improvements, the new electronic formats have greatly improved the comparability of individual data sets. The new format could provide quantitative indicators on the progress towards policy objectives.

The Issue Report also found that the strength of government support for tariff liberalization has been a critical variable in determining the value of the IAPs. Attitudes of business and other interests groups have also been influential.

To enhance the visible value-added contribution of APEC to tariff reduction, the Issue Report suggested that APEC should consider focusing on the elimination of tariff peaks and nuisance tariffs.

Services

The Issue Report's analysis of the IAP commitments in services found that of the 264 short-term commitments, 97 per cent were implemented. IAPs contain far fewer longer-term commitments. Some developed economies that already have low barriers to trade in services have few or no commitments in the IAPs.

IAPs have not been clear and precise in presenting information on commitments on services. It is not adequate, for example, to state that financial services will be liberalized. Commitments should include time lines for implementation and indicate whether or not commitments are part of the WTO negotiations.

There is a need for greater dialogue among government officials, businesses, and interest groups within economies, to assure support for the timely implementation of commitments. Ultimately, strong government support is critical to successful implementation.

Investment Policy

Significant progress has been made in implementing the collective actions aimed at achieving the Bogor goal of free and open investment. Completed projects under the Collective Action Plans (CAPs) on Investment include enhanced transparency through the publication of the APEC Investment Guidebook; policy dialogue that developed, in conjunction with the business sector, a menu of options for investment liberalization and related business facilitation for inclusion in IAPs; and economic and technical co-operation through a series of seminars and training programmes.

However, the Issue Report cautioned that the contribution of these collective actions towards achieving the Bogor goal had yet to be evaluated, and called for an assessment of the impact of these collective actions.

Data from eight APEC economies revealed that most of the economies complied with almost all of the twelve principles listed in APEC's Non-Binding Investment Principles (NBIP). However, none of the eight economies had yet complied with all of the twelve principles.

At least in some cases, the current IAPs and CAPs will not be sufficient to assure attainment of the Bogor goals, as additional impediments to foreign investment exist.

Therefore, the Issue Report recommends that IAPs include a more complete inventory on investment impediments, as a means to exert pressure to accelerate liberalization. IAPs should also include investment-related initiatives undertaken unilaterally, such as privatization and reduction of ownership restrictions.

Competition and Regulatory Reform

The Issue Report noted that although APEC's competition principles were quite limited substantively, they nevertheless provided an important framework in which to promote best practices and soft convergence over time. APEC's principles do go beyond the WTO and OECD work currently under way.

Measures should be developed with regard to some practices to see if policies and approaches are converging over time. Approaches to hardcore cartels may be an appropriate subject for developing more substantive non-binding principles.

An APEC database on competition policies should include information on related topics, and best practices should be compiled and analysed.

APEC should seek more business engagement and promote greater collaboration with other international organizations active in this area.

Mobility of Business People

Eight economies have joined the APEC Business Travel Card system and four more may do so this year. The system seeks to expedite the freer movement of business people throughout the region by offering accredited business travellers visa-free travel and expedited airport processing.

Reasons for lack of participation by other APEC members, especially the more developed economies, include security concerns and labour market protection. A more secure Business Travel Card is being proposed. The Issue Report suggests that since short-term migration poses less of a threat to domestic employment and is more generally accepted than long-term residency, APEC should focus on the former.

More broadly, the Issue Report found that, unless travel and migration processes were streamlined and standardized across economies, the initiative to enhance business

mobility would at best be slow and halting. Therefore, APEC should seek agreement for codes and standards on travel and migration regulations and processes among its members. Most importantly, APEC should recognize the labour mobility programmes already in place in select APEC members, and should seek to expand them throughout APEC. Specifically, APEC should explore short-term visa-free travel, taking into account the special circumstances of each member. APEC should study ASEAN's practices in this area.

Trade Facilitation

(Summary of "Survey on Customs, Standards and Business Mobility in the APEC Region", a report by the Asia Pacific Foundation of Canada for the APEC Business Advisory Council, July 2000.)

This questionnaire survey of business people in the APEC region confirmed the importance they attribute to pursuing trade facilitation measures in the area of customs, standards, and business mobility, and validates APEC's traditional emphasis on facilitation issues.

Survey respondents from developed and developing APEC member economies alike considered trade facilitation issues to be among the most important trade impediments in the region. Customs procedures, in particular, were ranked as the most serious trade impediments, even more so than restrictive administrative regulations and tariffs. This result was especially pronounced in the case of developing economy respondents. Standards issues were ranked somewhat lower, but nearly 40 per cent of respondents nevertheless considered standards-related trade impediments to be very serious or serious.

However, the survey raised serious questions about the effectiveness of APEC implementation.

"In each of the three facilitation areas, respondents were asked to reflect on specific APEC initiatives or on APEC's effectiveness in those areas generally. The response was overwhelmingly negative — respondents were either unaware of APEC's efforts or they felt APEC's efforts were not effective. This result is a serious rebuke to APEC, whether interpreted as lack of action, lack of success, or simply a lack of communication."

Human Resource Development (HRD)

The scope of HRD activities has expanded substantially since the foundation of APEC in 1989 but resources directed to HRD have not kept pace. This limits the contribution of HRD as a catalyst within the APEC process.

Because it cuts across so much of what APEC strives to accomplish through Ecotech, HRD capacity-building is embedded in a wide range of initiatives and projects. To this end, HRD requires a strong emphasis on building networks to share and co-ordinate efforts where there is an HRD component as well as to generate effective input from individuals and organizations outside APEC.

The participation of the private sector is one area where HRD has much further to go to achieve its potential as a catalyst for broader capacity-building. One successful positive example of important private sector participation is the APEC Experts-Trainers-Executives Workshops on International Quality Assurance Systems (IQAS); seventeen workshops were conducted in nine APEC economies with participation from over 500 private sector organizations.

The Issue Report concluded that APEC should improve its capacity to share the results of its successful efforts. HRD projects should be better linked to the world outside of APEC meetings and agendas if they are to have real impact. The special role of APEC needs to be emphasized in assessing the APEC value-added of HRD projects.

Food and Agriculture

Last year APEC Leaders instructed ministers and officials to implement a set of recommendations on establishing the APEC Food System — a visionary and far-reaching concept that calls for an integrated approach involving both TILF and Ecotech elements.

Some APEC forums, notably the Agriculture Technical Co-operation Experts Group and Standards and Conformance Subcommittee, have been able to adapt and expand existing programmes in order to respond to the Leaders' instruction, although it is too early to assess their effectiveness. The Infrastructure Workshop has, in conjunction with the PECC Food and Agriculture Forum, initiated a promising initiative known as RISE (Regional Integration for Sustainable Economies) and two RISE pilot projects have reportedly met considerable success. The APIAN Issue Report proposed that APEC now consider whether

and in what form the RISE initiative should be further developed to form an integral part of APEC Food System implementation. However, we were unable to find evidence that APEC is actively considering the possible further development of RISE, and no budgetary provision appears to have been made beyond the current year.

More disturbing still is that we were unable to locate information indicating a substantial response to the Leaders' instructions by a number of the other relevant forums. The APIAN Report also found that APEC currently lacks provision for the kind of coordination across the relevant forums that will be needed to implement the Ecotech-related aspects of the APEC Food System.

In the light of the agreed Bogor goals and principles of the Osaka Action Agenda, the APIAN Issue Report found it curious that in relation to trade the APEC Food System recommendations refer to trade promotion rather than trade liberalization. This stance apparently reflects resistance by some APEC members to the use of the term "liberalization" in relation to trade in food products.

The APIAN Issue Report concluded that APEC must urgently review the state of implementation of the APEC Food System, identify the gaps, and make credible provision for more effective implementation in the future.

Industrial Science and Technology (IST)

The Issue Report gives higher marks to the achievements related to the exchange of technical and scientific information and participation in international projects. It also evaluates positively the advances in HRD activities. However, progress is judged to be mediocre in the areas of government-business relations, participation in international technological partnerships and the exchange of technical and scientific personnel. With regard to progress in regulatory frameworks, results are mixed, ranging from significant to irrelevant depending on the reporting economy. The Report also finds that participation in IST is concentrated among a few economies.

The most important weaknesses underlying the IST initiatives are: lack of business interest in APEC IST activities; the diversity of membership of APEC that makes it difficult for many members to discover value in IST projects; and the insufficiency of resources to support wider participation of member economies and institutions.

The Issue Report recommended that APEC find ways to increase business interest, in particular using the IST Working Group meetings as an opportunity for increased interaction. The Report also proposed that APEC co-ordinate more effectively science and technology activities that were initiated by several working groups. In order to provide more focus and structure to the IST programme, APEC should select one (or a limited number) of focal themes of activity for each year (or multi-year period).

Energy

For the last decade, the APEC Energy Working Group (EWG) has played a leading role in the collection of data on energy supply and demand, in energy research and in policy development. The Issue Report found that the establishment of the Asia Pacific Energy Research Center in collaboration with the Government of Japan, as well as the completion of a series of research projects by the expert groups, have added significantly to the understanding of energy issues in the region. The EWG's development of the fourteen non-binding principles for rational energy consumption has given impetus to the development of energy policies in member economies. More recently, the initiation with the private sector of Implementation Facilitation Assistance Teams (IFATs), to visit member economies and assist in the joint development of energy policies and programmes, has been a major advance — highlighting the role that APEC can play in policy formulation and implementation.

Major factors behind the EWG's successes include: the sustained high level support of a member government (Australia); continuity in the leadership of the EWG; institutionalization of research capacity; and the strong emphasis on high-level creative partnerships with the private sector.

Corporate Governance

Weakness in corporate governance has been identified as a major contributor to the 1997-98 financial crises in some Asian countries. Finance ministers have recognized that APEC can play a useful role in several areas including: the design of more effective regulatory practices at the national level; the implementation of reform at the company level, to promote better standards in accountancy, transparency, and reporting; and the development of

governance skills in both the public and private sectors. So far, in this new area, APEC has begun with a focus on problem definition and statements of general principles, and must now give attention to issues of implementation.

Finance

The experts responding to the APIAN questionnaire on financial stability presented no consensus on the more controversial proposals for international financial reform. However, most respondents advocated a stronger role for APEC in this area, especially since most believe that APEC has hitherto done very little in terms of concrete results. For example, no expert believed that APEC has yet played an effective role in promoting safe, sustainable capital flows in the region. As respondents generally opined that global financial institutions have been either ineffective or downright destructive, there would appear to be a role for APEC as a regional institution — as a complement to (perhaps reformed) global institutions — in confronting the myriad problems associated with financial stability.

APEC was not originally conceived of as a “financial” organization. In the wake of the 1997-98 regional financial crisis, APEC has placed a stronger emphasis on financial matters in general and financial stability in particular. Nevertheless, most respondents underscored the need to do more — to improve consultation, information sharing, training, and other Ecotech-related activities, with resources to support them. Respondents also gave priority to enhancing financial crisis management, by pooling resources in APEC, promoting currency stability and co-ordination and replicating some of the capacities of the OECD.

APEC as an Institution

The main conclusions of this report appear in the body of the Report, especially in Section III.

APPENDICES

APPENDIX A

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Learning from Experience can be downloaded from the website of the APEC Secretariat at <http://www.apecsec.org> as well as various APEC Study Centers, including:

- Institute of Southeast Asian Studies (ISEAS) at <http://www.iseas.edu.sg> and
- Monash University at <http://www.arts.monash.edu.au/ausapec>;

and from the Institute on Global Conflict and Co-operation at <http://www-igcc.ucsd.edu>.

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